Purdue
Quarterly Report to the Board
August 3, 2011

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MARKETING & SALES

Assure 2011 sales and market share targets are met or exceeded.

The 2011 ex-factory net sales budget is $3,231.4 mm

Operate within approved S&P operating budget of $299.8mm, with a target savings goal of $14mm.

Meet or exceed total prescriber call targets of 712,000 with Butrans in 100% primary position, OxyContin in second position on at least 90% of calls, and Ryzolt or Senokot/Colace in third position on at least 70% of calls.

Compliance with all relevant policies, government law and regulation will be closely monitored.

Sales

The Sales and Marketing Department will contribute to profitability by ensuring that 2011 sales budget is met or exceeded.
Gross Sales Budget: $4,177.2MM **Net Sales Budget: $3,231.4MM (Restated)**

Result:

2011	*Actual*		*Budget*		*Prior Year*	
($MM)	*Gross Sales*	*Net Sales*	*Gross Sales*	*Net Sales*	*Gross Sales*	*Net Sales*
Q1	*725.2*	*576.6*	*984.8*	*779.6*	*693.2*	*540.0*
Q2	*762.2*	*601.4*	*1,042.7*	*811.0*	*801.2*	*629.4*
Q3			*1,035.2*	*807.1*	*914.9*	*693.3*
Q4			*1,114.6*	*833.7*	*718.7*	*499.9*
Total	*1,487.4*	*1,174.1*	*4,177.2*	*3,231.4*	*3,127.9*	*2,362.5*

Note: Net sales for all periods reported have been restated to include patient savings card discount expense.

2Q 2011 year to date net sales of $1,174.1 mm were lower than budget by $416.5 mm or 26%. This variance was driven by:

(i) OxyContin gross sales of $1,399.4 mm that were $517 mm or 27% below budget mainly due to declining sales in the 40 mg and 80 mg strengths.
(ii) Butrans gross sales of $32.6 mm that were $18.4 mm or 36% below budget. Prescriptions written for Butrans through the end of June are valued at $17.9 mm. The balance of the year-to-date sales are trade stocking.

(iii) Gross sales unfavorability was partially offset by favorability in variable deductions (e.g., Fee for Service, Sales Discounts & Allowances and Rebates) due to lower sales.

2Q 2011 year to date actual net sales of $1,174.1 mm was higher than 2010 by $4.7 mm.

Operating Budget

The department will operate within the total 2011 S&P budget of $271.9 mm, which is 8.4% of total net sales of $3.2 billion.

Result:

2011	*Actual*		*Budget*		*Prior Year*	
	$MM	*% net sales*	*$MM*	*% net sales*	*$MM*	*% net sales*
Q1	*54.1*	*10.1%*	*71.4*	*9.2%*	*41.7*	*7.7%*
Q2	*55.4*	*8.5%*	*71.9*	*8.9%*	*45.0*	*7.2%*
Q3			*67.3*	*8.3%*	*47.1*	*6.8%*
Q4			*61.3*	*7.4%*	*60.9*	*12.2%*
Total	*109.5*	*9.3%*	*271.9*	*8.4%*	*194.7*	*8.2%*

Note: S&P expense has been restated to exclude patient savings card discount.

S&P expense of $109.5 mm was $33.8 mm lower than budget, primarily due to lower promotional spend in OxyContin, Butrans, Intermezzo and OTC ($19.8 mm), lower spend on salary & related expenses due to sales bonus favorability and sales rep vacancies ($5.4 mm), lower market research and conventions spending ($2.7 mm) and timing of eMarketing Butrans initiatives ($2.9 mm).

- OxyContin promotional under-spend is due to lower REMS spend, elimination of a new decision support tool for OxyContin contracts, and a delay in the pilot study results for the Relationship Marketing (RM) initiative. The RM Program is expected to launch in the beginning of 4Q 2011.

- Butrans promotional under-spend is mainly due to delays in the launch of the speaker programs and direct mail programs and a decision to delay the disease management program with Infomedics. Butrans speaker programs were launched in June and are expected to increase significantly in the 3rd and 4th quarters. Butrans direct mail programs will initiate in the 3Q 2011.

- Intermezzo promotional under-spend is due to a decision to delay several programs, including a non-branded advertising campaign, sponsorships for sleep associations, and direct to consumer TV commercials pending the FDA's decision.

- OTC promotional under-spend is due to timing of the consumer ad media.

- The eMarketing Butrans Relationship Marketing (RM) initiative was delayed while a pilot study was conducted to measure its effectiveness. The RM program began in July and will result in significant secondary media spend and agency fees in the 3Q and 4Q 2011.

- Market Research under-spend is mainly due to delays in Butrans primary research projects, which will be executed in the second half of the year.

S&P expense of $109.5 mm was $22.7 mm higher than year to date June 2010 due to higher Butrans spend ($7.6 mm), the impact of the 2010 Butrans sales force expansion in 2010 ($8.6 mm), higher OxyContin spend ($1.6 mm) and other promotional spend ($2.1 mm).

Business Unit Performance

BBUs

Each Branded Business Unit will strive to maintain established contribution on net sales: OxyContin $2,717.4 mm/89.8% of net sales, Butrans negative $64.4 mm/-70.2% of net sales, Ryzolt $3.8 mm/42.8% of net sales, Laxatives $16.8 mm/35.6% of net sales. Full year targets and 2nd Quarter results detailed below.

Result:

	2011 Target Gross ($MM)	*2011 Target Net ($MM)*	*2011 Target Product Contribution ($MM)*	*2011 Target Product Contribution (%)*	*YTD Actual Gross ($MM)*	*YTD Actual Net ($MM)*	*YTD Actual Product Contribution ($MM)*	*YTD Actual Product Contribution (%)*
OxyContin	$3,924.8	$3,027.3	$2,717.4	89.8%	$1,399.7	$1,093.0	$962.5	88.1%
Butrans	$133.0	$91.7	($64.4)	N/A	$32.6	$27.8	($34.2)	N/A
Ryzolt	$11.6	$8.9	$3.8	42.8%	$6.5	$6.0	$3.6	59.9%
Laxatives	$48.6	$47.1	$16.8	35.6%	$24.6	$24.1	$11.5	47.5%

OxyContin's product contribution of $962.5 mm was lower than budget by $357.2 mm. This variance is primarily driven by lower gross sales of $517.4 mm offset by lower variable deductions (e.g. fee for service, rebates) of $116.0 mm, lower S&P expense of $11.2 mm and lower royalty expense of $19.0 mm, which is driven by sales.

Butrans' product contribution of ($34.2 mm) was higher than budget by $5.5 mm. This variance is driven by lower S&P expenses of $14.3 mm due to the delay in the launch of speaker programs, disease management programs and direct mail programs. These favorable variances were partly offset by lower gross sales of $17.7 mm.

Ryzolt's product contribution of $3.6 mm was higher than budget by $1.3 mm. This variance was primarily driven by higher sales.

OTC's product contribution of $11.5 mm was higher than budget by $2.8 mm. This variance was driven by lower S&P expenses in consumer ad media and coop advertising.

Sales Force

In order to maximize sales force effectiveness, we will meet or exceed total prescriber call targets of 712,000 annually for 2011. A daily call average of 7 prescribers per day has been established for 2011.

- Butrans will be in the primary position on 100% of calls.
- OxyContin will be in second position in at least 90% of calls
- Ryzolt and Senokot/Colace will be in third position in at least 70% of all calls.

Result: Through the first half 2011, total sales calls are at 102% of overall target. For primary position presentations, Butrans is on target at 100% for all calls having Butrans as the primary presentation. For secondary position presentations, OxyContin is below target of 90%, with only 75% of all calls having OxyContin in a secondary position YTD. This is due to continued focus on Butrans messaging and time needed during a call to a physician to appropriately provide information regarding Butrans. As the year progresses, we anticipate an increase in the number of OxyContin second position presentations. Ryzolt is slightly below target of 35%, with 29% of all calls YTD having a Ryzolt third position presentation. Laxatives are slightly exceeding target of 35% with 36% of all calls including a promotional message for one of the Laxatives.

2011	Call Goal	Calls Made	Difference	% to Goal	Butrans Primary % of all	OxyContin Secondary % of all	Ryzolt Third% of all	Senokot/ Colace Third % of all
Q1	168,210	173,647	5,437	103%	84%	77%	39%	38%
Q2	187,950	189,650	1,700	101%	100%	73%	19%	33%
Q3	189,525							
Q4	166,315							
Total	712,000	363,297	7,137	51%	92%	75%	29%	36%

Source: Report Gallery – Metrics Report (weeks of 1/1 – 7/1/2011)

Result: The average physician calls per day for 2011 YTD is 6.91 calls per day. This is slightly lower than the objective of 7 calls per day and is attributed primarily to the impact in Q1 of the conclusion of the sales force expansion and the launch of Butrans. With newer representatives, we tend to see lower call activity until they build relationships and an understanding of the territory. Also with a launch of a new product we see decreased calls per day because initial calls for a new product tend to take longer, decreasing the number of prescribers a representative can see in a day. We did see an increase to 7.2 calls per day during the second quarter, and expect to continue at the targeted goal, or better, through the remainder of 2011.

2011	Daily Average Call Target	Daily Call Average Actual	Prior Year
Q1	7.0	6.7	7.0
Q2	7.0	7.2	7.0
Q3	7.0		6.8
Q4	7.0		6.2

Review of OxyContin Market Share Versus Long Acting Opioid Market:

						Growth			
		Mar 2011 TRx (Absolute)	Apr 2011 TRx (Absolute)	TRx Share of LA Market Apr 2011	TRx Growth Over Previous Month	TRx Growth Over 3 Months Ending Apr 2011	TRx Growth Over 6 Months Ending Apr 2011	TRx Growth Over 12 Months Ending Apr 2011	YTD TRx Growth Mar '11 vs. Apr '10
Molecule	**Total LA Market**	**2,308,984**	**2,141,642**	**100.0%**	**-7.2%**	**-1.8%**	**-1.8%**	**2.1%**	**0.3%**
OXYCODONE-ER	OxyContin	591,337	541,903	25.3%	-8.4%	-2.9%	-1.8%	-0.9%	2.9%
	Generic OER	19,899	13,544	0.6%	-31.9%	-67.2%	-66.8%	-26.4%	-80.7%
	Total OER	611,236	555,447	25.9%	-9.1%	-9.6%	-14.0%	-5.3%	-15.4%
FENTANYL PATCH	Duragesic	15,678	8,987	0.4%	-42.7%	-43.1%	-12.5%	-28.6%	-30.1%
	Generic Fentanyl Patch	583,587	547,051	25.5%	-6.3%	1.6%	1.2%	2.8%	3.9%
	Total Fentanyl Patch	599,265	556,038	26.0%	-7.2%	-0.6%	0.6%	0.9%	2.3%
MORPHINE SR	MS-Contin	2,201	2,014	0.1%	-8.5%	-6.1%	-8.2%	-21.7%	-17.8%
	Avinza	28,071	25,902	1.2%	-7.7%	-8.0%	-13.4%	-28.2%	-24.1%
	Kadian	49,422	48,477	2.3%	-1.9%	1.4%	-3.1%	-11.1%	-6.1%
	Generic 2X/Day Morphine	503,293	471,993	22.0%	-6.2%	3.2%	7.5%	13.4%	15.2%
	Embeda	7,056	145	0.0%	-97.9%	-52.7%	-15.9%	171.2%	-8.9%
	Total Morphine SR	590,043	548,531	25.6%	-7.0%	0.9%	4.6%	8.6%	9.7%
OXYMORPHONE-ER	Opana-ER	100,409	96,336	4.5%	-4.1%	9.8%	29.9%	42.4%	54.6%
METHADONE	Methadone	384,369	358,194	16.7%	-6.8%	-1.2%	-0.2%	0.6%	-0.2%
HYDROMORPHONE-ER	Exalgo	6,808	7,160	0.3%	5.2%	20.5%	95.1%	-	-
BUPRENORPHINE	Butrans	16,854	19,936	0.9%	18.3%	-	-	-	-

Source: IMS Health NPA

- The overall Long-Acting Opioid (LAO) market is showing an Rx growth of 2.1% for the current 12 months versus the previous 12 months (ending April).
- During the same period, branded OxyContin's Rxs were -0.9%, while generic oxycodone er was -26.4%, resulting in overall OER (branded plus generic OxyContin) showing a -5.3% change in Rxs.
- Total Morphine SR, driven by generic MS Contin, has benefitted the most during this period, with an 8.6% Rx growth rate. While Opana ER has a higher growth rate, the absolute Rxs are not significant.
- Duragesic (branded and generic combined) was relatively flat with a 0.9% growth rate, driven primarily by the generic formulations.
- The primary factor contributing to the growth of generic MS Contin and generic Duragesic is managed care. The cost to the patient for a month's supply of generic MS Contin or generic

Duragesic is $10 on average for patients who are covered by a commercial or Medicare Part D plan, and is even less for Medicaid patients.

- We are increasing our 2nd Tier (Preferred Brand) OxyContin coverage with managed care, where the average cost per month for the patient is $25. This, combined with our Patient Savings Program is our primary strategy to combat the low costs associated with generic MS Contin and generic Duragesic formulations.

Compliance:

Operate within all established company policies, government laws and regulations and PhRMA guidelines to ensure complete compliance.

Comment - No compliance shortcomings to report.

Sales Force Key 2nd Quarter Initiatives:

The primary focus of the Sales Force has been on the promotion of Butrans as we entered into the first full quarter of promotion. Following the expansion period, which involved significant recruiting and hiring of new representatives from October 2010 – March 2011, we were near fully staffed for the 2nd quarter.

Marketing Department Key Initiatives:

Butrans® Brand Team:

During the second quarter, the Butrans Brand Team introduced a new and important promotional piece designed to support salesforce efforts. This "Core Sales Aid" reinforces the branding, positioning, and key selling messages of Butrans. Early market testing through physician surveys indicates that this new piece is having a positive impact.

Three speaker training programs were conducted over a three-weekend period starting in the first quarter and into April. These were designed to train a select group of Key Opinion Leaders (KOLs) to be able to support the launch of Butrans, by conducting speaker programs at the local level with a brand-specific presentation on Butrans. Approximately 100 local Key Opinion Leaders were trained. In addition, we conducted three regional Train-the-Trainer programs during which 98 regional and local thought leaders were trained on Butrans® and prepared to conduct product information presentations.

On May 18 we conducted a Managed Care Organization speaker training where six national thought leaders were trained to present Butrans to MCOs as needed.

As of June 30, approximately 525 local dinner programs were scheduled. These will begin in July. Our plans are to conduct a total of 1,100 local dinner programs and teleconferences for Butrans sales representative promotion in the latter six months of 2011. We believe these educational programs will have a significant impact on the appropriate use of Butrans. We have also planned to conduct 125 "Peer-to-Peer Group" educational dinner programs in 2011. Year to date we have conducted 31 dinner programs (360 physicians have been trained) and six webinars and (216 physicians have been trained) for a total of 37 programs and 576 physicians trained.

To support sales efforts, marketing activities such as Butrans journal ads have been running monthly, and a direct mail campaign was sent in May to all called-on HCPs to coincide with the launch of the updated Butrans.com Web site.

During the second quarter we initiated and completed primary market research to identify why physicians are prescribing Butrans and for those who are not prescribing, why they haven't. With a sample size n=100, we performed in-depth interviews with three cohorts (all three were physicians who have been called on by a Purdue representative):

- Current prescribers of Butrans (with focus on high prescribers)
- Current non-prescribers of Butrans who were called on
- "Abandoners" of Butrans who prescribed Butrans and then stopped.

Our goal is to use the conclusions of this research to adjust our sales and marketing tactics, to increase prescribing, and decrease the number of physicians who stop prescribing. We are also planning quantitative market research to confirm the findings of the above mentioned qualitative research, this research will commence in the third quarter.

Journal ads continue to run in targeted specialty books. According to Palshaw data that measures impact versus industry norms, the Butrans journal ad exceeds new journal ad norms. This is seen in the following areas: High Prescribing Interest - Butrans scored "significantly higher" than the norm for New Rx Analgesic Advertising. Also Butrans scored the highest score ever on the parameter of "any prescribing interest." We have plans to begin conducting journal ad market research in the third quarter to understand the impact the ad is having now that it has been running for almost six months.

Both pivotal trials 3015 and 3024 were accepted for publication in the second quarter, and we are awaiting their publication in the *Journal of Pain and Symptom Management* and the *Journal of Pain*. We anticipate that they will both be published by the end of the third quarter.

OxyContin® Tablets Brand Team:

On April 27th, the brand team initiated a new marketing education promotional program called the Professional Television Network (PTN). PTN broadcasts programs to physicians in their own homes by delivering educational content to a DVR (i.e., a TiVo-like device). The content for this program is a taped Key Opinion Leader presenting slides on appropriate use of OxyContin. This program will be targeting 3,000 high decile OxyContin prescribers. **Through June 17th there have been 2,219 physicians that have watched this program.** The program was expected to last approximately three months but will likely end sooner due to the quick recruitment of physicians. We will track the prescribing trends of those that view the program and provide an update in future reports.

The brand team, in conjunction with our e-Marketing colleagues, will be implementing a promotional education program with QuantiaMD. QuantiaMD is an online physician-to-physician Web site where physicians engage in educational content delivered in an interactive format. The program will leverage content from the Conversions Program, a key tactic of the Relationship Marketing Program. We will be targeting 6,000 high-decile OxyContin® prescribers. This program will be launched in September.

To further support the sales force's effort of selling OxyContin in the second position, the brand team is developing several pieces of direct mail that will be sent to appropriate HCPs. These direct mail

campaigns will focus on appropriate clinical messaging as well as favorable managed care coverage. It is expected that the first of these mailings will begin in late 3rd quarter (i.e., August/ September).

The Peer-to-Peer Marketing Education Promotional programs that were launched in the 4th quarter of 2010 were completed in early March. Ninety-two programs were completed with approximately 600 HCPs attending these programs. This translates into approximately 6.5 HCPs per program. We are tracking the prescribing trends of these attendees, and we will have results in late 2nd quarter. This analysis will help determine the extent of any future programming in 3rd/4th quarter 2011.

Intermezzo® Brand Team:

- During the second quarter we continued to prepare for an Intermezzo FDA approval anticipated on or before July 14, 2011.

Projects (2nd Quarter 2011)	**Results**
Consumer Creative Concepts	• Quantitative testing has started, with final results expected in 2nd quarter 2011. • Work was completed and a final concept was chosen. • We now have one concept for promotion with both Healthcare Professionals and Consumers
Core Sales Aid Testing	• Testing has been completed, with final results expected in 2nd quarter 2011. • Core Sales Aid continues to go through MRL review and is on schedule to be submitted to DDMAC for review no later than 7/31/11.
Sales Training Modules	• Two modules have been completed and issued to all appropriate employees for completion. • Module 3 will be finalized upon approval and acceptance of the Final Package Insert (FPI)
Consumer Media Company	• Work has begun on identifying a consumer media company for collaboration with our direct-to-consumer campaign. • A final decision will be made during the 3rd quarter.
Managed Care Advisory Board	• A managed care advisory board was conducted in Chicago to assist us with both our pricing and rebating strategy. • The information from this meeting has been used in the development of the pricing and rebating recommendation.
Payer, Patient and Physician Pricing Market Research (Bridgehead and Pharmastrat)	• To assess the pricing sensitivity of payers, physicians and patients in the treatment of middle-of-the-night (MOTN) insomnia, and to determine the likely market access and product utilization for Intermezzo® • Completed and the information has been used in the development of the pricing and rebating recommendation.

Laxatives Brands:

	Dollar Sales	% Change	Unit Sales	% Change
Total Category	$861,320,600	4.8	112,262,300.0	2.5
Senokot Tablets	$11,502,030	14.2	968,109.0	9.6
Senokot-S Tablets	$12,269,700	7.9	781,114.2	5.4
Colace Stool Softener	$28,208,320	1.5	2,080,816.0	5.1
Peri-Colace Tablets	$3,866,993	-0.5	238,592.9	3.0
Dulcolax Tablets	$40,312,910	10.6	5,810,380.0	12.4
Dulcolax Stool Softener	$18,809,260	20.1	2,281,795.0	23.8
Ex-Lax	$25,207,970	0.1	3,657,314.0	-2.4
Correctol	$118,441	-98.3	22,718.9	-97.9
Private Label Senna	$32,697,200	8.5	4,660,816.0	10.2
Miralax	$100,656,900	-9.8	7,696,975.0	-9.3
Metamucil	$89,559,280	1.8	8,851,830.0	-0.1
Benefiber	$54,024,240	0.8	4,976,255.0	-3.6
Citrucel	$22,105,690	-9.8	1,499,774.0	-9.1
Fiber Choice	$16,881,080	-15.6	1,520,586.0	-8.9
Fibercon	$8,282,930	-11.3	521,799.7	-16.1

The table above reflects retail pharmacy sales (units and dollars) as measured by Information Resources, Inc. It is for the 52 week period ending 6/12/11. It does not include WalMart data and therefore under reports the market. WalMart represents approximately 25% of our total sales in most SKUs of our laxatives.

- During this past 12 months, the entire market experienced a 4.8% increase in dollars, and a 2.5% increase in units.

- Senokot and Senokot-S are growing above the market rates in both dollars and units. This is a result of our ability to gain expanded distribution as we emerged from the recall and also gain new distribution for select SKUs.

- Colace is showing positive dollar growth, but is below the market rate. However, the product is above the market for unit growth. This is a result our ability to gain new distribution of the smaller tablet count SKUs, which is a strategy implemented in the past year.

Manufacturing Transfer:

The Laxative Branded Business Unit continues to coordinate the manufacturing transfer of Senokot® and Senokot-S® Tablets from TimeCap Labs, Inc. to Purdue Canada.

- Transfer remains on schedule for product shipments to commence on October 3, 2011.

- A new introductory product size, Senokot® Tablets TO GO™ (4 tab count), will augment the updated package introduction.
  - This new "introductory size" is being coordinated to ship with the traditional retail sizes on October 3, 2011.
  - It will be targeted towards travelers, and customers seeking trial size packs.
  - The new packaging was successfully introduced in June at the National Association of Chain Drug Stores (NACDS), the preeminent tradeshow that supports OTC products.

eMarketing Team:

OxyContin® Relationship Marketing Program:

Preliminary analysis conducted during the second quarter pointed to the positive ROI for specific components of the program. Additional analysis recently completed, support these early findings. Complete analysis of impact of the synergy between all of the major components is being completed with a full report to be issued before the end of August.

Forecasting, Analytics, and Market Research Team:

The main focus of the department's current work is preparing for the launch of Intermezzo®, optimizing the performance of Butrans®, and investigating new products for in-licensing. In addition, the department has been active in creating and monitoring performance metrics for our products and their marketing programs:

- Butrans:

1. Market research with prescribers and non-prescribers who have been called on
2. Monitoring and optimizing performance of the patient savings card program
3. Calculating lift and return on investment from the Relationship Marketing Program, speaker programs, conventions, and other marketing programs.
4. Performing research monitoring sales force delivery, and execution of key messages
5. Monitoring secondary data for key trends, metrics, and insights

- Other major projects:

6. Currently 5 active forecasting projects for in-licensing candidates (Level 2 or higher)
7. Measuring the performance of the OxyContin Relationship Marketing pilot, peer group programs, and conventions.
8. Working on automating the production of secondary data reports
9. Implementing searchable database for historical projects

Sales Operations & Training Key Activities:

Sales Training 2nd QTR 2011 Programs	# Attendees	Length	# of Programs
Level 100 (New Reps)	8	Three weeks	1
Level 200 (Experienced Reps)	22	5 days	1
Level 300 (Experienced Reps)	15	5 days	1
Level 400 (Experienced Reps)	11	5 days	1
Level 500 (Experienced Reps)	10	5 days	1
Level 600 (New DM Skill)	23	5 days	4
Level 650 (Experienced DMs/RAEs) (3 Electives offered)	46	1 day	1
Level 700 (Experienced DMs)	8	4 days	1
Level 900 (New RMs)	3	2 days	1
New RAEs	2	3 days	1
Total	**148**	**N/A**	**13**

2nd Quarter Field Activity		
District Meetings Attended	**Trainer Rep Field Contacts**	**RFT Rep Field Contacts**
18	**13**	**36**

Sales Training:

The Sales Representative Development Group issued eight Butrans® Training Bulletins during the 2nd Quarter. The group trained five sales representatives, who missed the National Sales Meeting, on Butrans® during the March and June Level 100 programs. Additionally four Butrans® Workshops were developed for the June District Meetings.

Intermezzo BBU and Training Sub Team Committee is actively involved in key aspects of the preparation for the launch of Intermezzo. This includes the preparation of the following: Five Intermezzo eCampus Training Modules; Butrans® Quiz; Butrans® Reference Guide; CSO DM Training: September 7 – 9; CSO Representative Training: September 19 – 23 & 26 – 30; The Intermezzo Launch Meeting: October 3 – 6; and Post Launch Meeting Training and Communication.

Development of representatives and managers towards positions of greater responsibility continues.

- PCi Advanced Leadership Development Program: April 19-21, 2011- 6 DMs assessed for potential to regional management

- May Regional Directors Strategy Meeting and June Managers' Meeting
    1. "Five Stages of Employee Accountability Webinar and Boosting Results with Core and Low Performers" Workshop developed and implemented

2. Compliance Scenarios for RD / DM Conferences (2-hour session) with all 9 RDs
3. The Challenger DM: Boosting Results with Core Performers (90 minute session) with all DMs – workshop developed and implemented

- Two Day "New" Regional Manager Development Program with three participants (Charlie Simpson, Ed McKernan, Mo Mulcahy) including: Impacting Performance in a Region (Day One), and Conducting Investigations (Day Two) workshops.

The Managed Care Training group completed a three day training program for two new Regional Account Executives. The group also produced a TeamLink Audio Program on effectively selling Butrans® in the Managed Care environment, a quarterly issue of Managed Care Minute focusing on PBMs, and developed a workshop on "Selling Through Restrictions" with Market Strategies for June District Meetings.

Sales Operations Group & Planning:

During the 2nd Quarter, in preparation for Intermezzo, the group has continued Vendor selection for a "Direct to Prescriber" Sampling program, Savings Card Program, Voucher program, eVoucher program and Prescriber letter program. This includes cost comparison and the definition of program rules.

Intermezzo eCampus Training Module Completion Dates:

- Rollout to RDs, NAMs, MHC, Marketing and Training. Will be rolled out to CSO once hired.

Rollout Date	Module #	Title
May 9	1	Understanding Insomnia
May 23	2	Clinical Management of Insomnia
TBD	3	Intermezzo Competitive Landscape
TBD	4	Intermezzo Product Overview

- Prescriber Letter Programs and Savings Card Programs Updates and Controls

Intermezzo™ Launch Preparation: The Sales Force Alignment is in place and was sent to the Contract Sales Organization. The group is working with the Phoenix Call Reporting and SAP teams to ensure alignment interfaces work smoothly. Targeting analysis is underway – working with Marketing and Market Research to identify best possible targets using multiple criteria similar to how we targeted Butrans® prescribers. Additionally, the group is working with IT on reporting updates for the Intermezzo sales force.

Managed Markets Strategies & Sales Highlights:

Formulary Coverage/Payer Breakouts: 50.4 million lives uninsured in 2011 (Global Bureau of Labor Statistics), 242 million lives are enrolled in some type of insurance coverage.

Percentage of Lives Covered in Each Market			
Brand Coverage	Commercial	Part D	Medicaid
OxyContin	T2: 82% T3: 9%	T2: 49% T3: 13%	On PDL: 10% Off PDL: 90%
Butrans	T2: 5% T3: 81%	T2: 0% T3: 5%	On PDL: 9% Off PDL: 91%

Source: Fingertip Formulary as of 6/27/11; Medicaid PDL info excludes states with Prior Authorization restrictions

Butrans Highlights: Butrans is covered on 89% of commercial lives nationally (majority of 3rd tier unrestricted)
2Q11 Formulary Acceptances:

- Butrans Medicaid: Michigan added to the PDL -- with no restrictions and no supplemental rebate required.
- Butrans Commercial: Tufts Health Plan and BCBS of Rhode Island now on Tier 3 unrestricted
- Butrans Part D: Health Net now on Tier 3 with no restrictions
- Medco and Express Scripts (PBMs) continue to allow unrestricted access to Butrans on 3rd tier on their national formulary and to their clients. Express Scripts will review the volume of Butrans over the next couple of months before considering for 2nd tier. Managed Care field is working Express Scripts clients to gain 2nd tier formulary acceptance on their custom formularies.

OxyContin Highlights:

- The Top 10 Commercial plans represented 97% of all OxyContin rebate eligible sales
    1. OxyContin is covered on 95% of commercial lives nationally with 82% of commercial lives obtaining Tier 2 coverage
    2. Medco is the #1 OxyContin commercial account based on total prescriptions and gross sales
    3. Top 3 National PBMs (Medco, Caremark and ExpressScripts) represent $221 million or 72% of the rebate eligible sales (through Q4 2010)
- Formulary win for 2011: Independent Blue Cross (IBC) Regional Plan (1.1 Million Lives)
- Total Part D OxyContin rebate eligible sales of $138 million for the quarter ended Q4 2010
    1. OxyContin is covered on 62% of Part D lives nationally and 49% of lives with Tier 2 Part D coverage
    2. The Top 10 Part D plans represented 99% of all OxyContin Part D rebate eligible sales
    3. $35 million in total rebates in Q4 2010

Managed Markets Contracting and Operations:

ContractSphere Implementation: Brought on project manager from Alliance consulting to manage day to day aspects of the project. Alliance has considerable expertise with ContractSphere implementation. The project is moving forward, with the data migration to the development environment almost complete. We have also involved Purdue's continuous improvement group with assisting us in reviewing business processes in the new system.

Government Contracting Activity:

- Completed a scrub of government customers to update class of trade designations, names, and addresses, in support of compliance initiatives and transition to a dual pricing model under the Federal Supply Schedule.
- Working with Managed Care on supporting Butrans in the Department of Defense markets. We have proposed voluntary rebate/discount agreements, approved through the CDCC and RPC, to the Department of Defense in support of the Butrans P&T review for continued 2nd tier formulary

position. These agreements impact Tricare, military treatment facilities, and the military mail order programs.

Managed Care Contracting Activity:

- Identified $5.783 MM during Q1 and Q2 2011 of rebates "savings" for 2010 rebate submissions. Savings in this context are rebate claims submitted by customers that we were able to identify as noncompliant to our contracts through a review of plan benefit design and formulary.

- Completed negotiations on two national agreements, the CIGNA commercial agreement and the Prime Therapeutics commercial agreement.

National Accounts & Trade Relations 1st Quarter Highlights:

OxyContin: We are closely monitoring inventory levels of OxyContin. By written agreement with our distributors, our inventory levels are measured by days on hand (DOH). We maintain approximately 22 days of inventory at any given time. The value of a day in the second quarter was roughly $11.1M

Butrans: Our goal was to stock 30,000 stores with at least one strength of Butrans. We have stocked 35,615 unique stores as of 7/1. Overall we have placed over 170,000 units of Butrans in pharmacy inventory.

OTC: The National Accounts group has introduced the new package design for Senokot to the trade, in anticipation of an October 3 ship date. The response from the trade to the new packaging and to our new item Senokot To Go has been very positive.

MANUFACTURING / SUPPLY CHAIN / PHARMACEUTICAL TECHNOLOGY

Assure compliance with all FDA, DEA, OSHA and EPA laws and regulations. Transition the manufacture of OxyContin to the new formulation. Ensure all product development targets are met. Maintain manufacturing and distribution budgetary provisions for 2011. Continue to train and develop staff.

Manufacturing: ORF / OxyContin / MSC / MSER

- Wilson manufactured 172 batches in 2Q11.
    1. 106 ORF (OxyContin) batches
    2. 39 MS Contin batches
    3. 3 OxyContin Export batches
    4. 24 development / validation batches (10 HYD, 3 ONU, 4 ORF, 2 Oxy IR, 3 MSC/MSER, 1 VND, and 1 Dilaudid)

Key Supply Chain Metrics

- Achieved 99% customer orders shipped "on time" and "complete" from Wilson and Louisville.

- Totowa back-up demonstration resulted in ORF batches being manufactured and released.

Infrastructure / Capital Projects

- C. A. Lewis, Inc. has commenced construction for the QC Lab Expansion Project in Wilson.

3rd Party Manufacture

Butrans

- Product Supply is on schedule, and there is an effective global coordination of supply from US, EU and Asia Pacific regions. The Supply Chain Team and LTS Steering Committee met in 2Q11 to progress issues related to the API supply for the various marketed territories, patch capacity in Andernach, secondary packaging in the US and the Tech Transfer to LTS West Caldwell.

Dilaudid

- Hospira (Dilaudid injectables supplier) recovered from the January 2011 backorders, and there have been no supply interruptions on this product line since that period.

Intermezzo

- Coordinated project teams have been initiated in conjunction with Transcept to prepare for the launch supplies of Intermezzo. Approved $1.4 million to produce tablet supplies at Patheon, procured dosing wheels from Grapevine, and procured long lead time packaging components, tooling, etc. at Sharp. The validation manufacturing campaign for 1.75 mg was completed.

OTC / Laxative Highlights

- Senokot / Senokot S (Purdue Canada) – Project is on track and supplies of the Calcium Sennocides formulation for Senokot / Senokot S will be imported starting in August 2011, with a market transition target date of October 3, 2011.

- Peri-Colace – Senokot project has been updated to include having Purdue Canada produce Peri-Colace for the US market. Timeline for supply is 1Q12.

- Slow-Mag and Senokot Xtra – Project is underway to supply these products from Contract Pharmacal Corp. (CPC). Target market transition is 4Q11.

- Colace – Project is underway to transition from current suppliers of the Colace products to PL Development for packaging, and Banner or Accucaps for soft gel manufacturing to improve cost and compliance risk.

Key Pharmaceutical Technology Projects

ORF

- 10 mg large scale validation batches were manufactured, and routine release data was acceptable. Qualification of a second source of PolyOx from Sumitomo is a major component of the risk mitigation strategy for ORF. This work was progressed in 2Q11, and qualification batches will be produced in 4Q11.

HYD

- Phase 3 clinical supplies for HYD3001/3002 (Campaign 2) manufacturing is on schedule.

ONU

- Clinical / validation campaign (phase 1, one batch each strength) manufacturing and routine testing was completed for clinical release. Validation testing is in process.

Redacted

Rhodes Pharmaceuticals (RP)

- OXY IR – Two batches were manufactured as rescue med for clinical studies.
- OXY / APAP – Following the FDA deficiency letter, additional development work was agreed to with RP. Six registration batches will follow development, and filing will occur after receipt of 3 months stability data.

DEA Requirements / Compliance

- DEA Inspection of Wilson's security upgrades occurred in June 2011 with no citations.

EHS Requirements / Compliance

- Successful FM Global Annual Fire and Natural Hazards Loss Prevention Inspection of the Wilson Facility; and Equipment Hazards Loss Prevention Evaluation of the Totowa Facility resulted in no findings or observations.
- Sanderson Farms announced a hold on the project to locate a large scale poultry processing plant and associated spray fields approximately 3 miles from the Purdue Wilson facility.

QUALITY

Sustain compliance with all laws and regulations related to cGxP from drug development through commercialization. Support the accurate and timely release of approved quality product. Assure integrity and qualification of all new product development, technology transfer and regulatory filings.

Sustained Compliance

- The FDA issued the Establishment Inspection Report (EIR) on May 13, 2011, with a No Action Indicated (NAI) status for the FDA general GMP Inspection of the Wilson site (January 24 - 27, 2011). All immediate actions are complete, with the long term actions on statistics used in Annual Product Reviews, and ways to further reduce foreign tablet finds being pursued.
- All nonconformance actions from the ANVISA (Brazilian Health Authority) general GMP Inspection of the Wilson site (January 24 - 27, 2011) have been completed. The documentation was sent to Zodiak (Purdue's Brazil representative) on May 6, 2011, for review with the ANVISA authorities.
- The FDA conducted a routine Drug Safety Reporting and Risk Evaluation and Mitigation Strategy (REMS) Inspection from April 11-15, 2011, in Stamford. The focus of the Inspection was on the implementation of the REMS for reformulated OxyContin (ORF) and on ORF Adverse Event and

Product Complaint processing. No 483 was issued, and a rating of NAI was recommended by the investigator.

- A Compliance Improvement Plan (CIP) has been initiated to address all items identified in a December 22, 2010, Quintiles Consulting Quality Compliance Gap Assessment Report for the Wilson site (20 of the 35 items in the CIP have been completed).

- On April 27, 2011, Purdue initiated a voluntary recall of one lot of Colace® Stool Softener 100 mg Capsules 30 count, due to an out of specification result. The reason for this recall was a high value of the active pharmaceutical ingredient, docusate sodium, which was outside of specifications. A health and safety assessment was performed, which suggested that it was unlikely that these results could lead to any adverse health consequences for patients.

- Two separate Field Alert Reports were issued in 2Q11 which reported that on two separate occasions a pharmacist called to report that a 30 mg OC tablet was found in a bottle of 30 mg OP tablets. Tablets were found by different pharmacists in different locations in two separate lots (both lots were part of the same manufacturing campaign). A detailed investigation yielded no identifiable root cause, and concluded that the comingling must have occurred outside of the control of Purdue.

- A single stability lot of ORF 10 mg tablets showed Out of Trend (OOT) results for unknown degradants at the 3 and 6 month stability pulls. The lot has been closely monitored and stability results at 7 and 8 months have shown the degradant concentration to have plateaued at a high result, but remaining within specification. Three coordinated activities are in place to monitor and investigate this issue: (1) Wilson QA/QC will continue to monitor monthly stability pulls for this lot; (2) Cranbury Analytical Sciences personnel continue to perform analysis in an attempt to understand the conditions of growth and mechanisms to control the growth; and (3) an R&D Genotoxic and Carcinogenic Working Group will address any potential toxicology issues related to the degradant.

External Manufacturing

- Both LTS (Butrans provider) and Halo (Dilaudid Tablets and Oral Liquid) have had FDA inspections where documents associated with Purdue products were requested and reviewed. No recommendations or observations were made for Purdue products.

- A significant investigation of OOT dissolution results of the 5 mg Butrans clinical trial product identified a root cause which is related to the time between sample preparations and testing. This variable was different between the R&D Lab and the Commercial Lab at LTS, which contributed to observations of dissolution test results appearing significantly lower than would be expected. This delayed the release of the clinical material, but contributed to attaining greater knowledge of the dissolution behavior observed for both the 5 mg and 2.5 mg products. This investigation also impacted commercial transfer work to West Caldwell. Further evaluation will be conducted on whether to resume transfer of the current filed method between Andernach and West Caldwell, or to pursue a buffered dissolution method validated by West Caldwell.

RESEARCH & DEVELOPMENT

US R&D's goal is to efficiently and effectively advance each pipeline project to and through the defined stage gates within each program's strategic development plan. R&D's specific objectives for 2011 are reflected in Purdue's Business Scorecard and focus on progress or completion of major milestones for each pipeline project. While there are many work streams and individual components within each program, emphasis is placed on those items whose progress, quality and outcome drive these stage gate decisions and as a consequence, project progress to NDA submission/approval, or termination. Through 1Q2011, substantial progress has been made against our budgeted plan. This quarterly report describes this progress for each of our current pipeline projects:

- Reformulated OxyContin® (OTR/ORF)
- BuTrans® (BTSD)
- Targin® (ONU)
- Hydrocodone QD (HYD)
- Peripheral Opioid Agonist (POA)
- Redacted
-
-

Reformulated OxyContin (OTR/ORF)

- *Four in vivo* abuse liability study abstracts and posters are in development for presentation at PAINWeek National Conference, September 2011.

- Pediatric studies in recruitment, with sNDA target date of January 16, 2012. Pediatric studies are continuing. The first study on kinetics is finished and written up. The ongoing enhancement of processes, site identification, and site and investigator activation will proceed full throttle through September 2011. Study OTR1020 has one more patient to enroll and then will be complete. Study OTR3001, the final and largest study, has a goal of 154 patients enrolled. Our current goal is to have a meeting with the FDA in September to review our timelines and to attempt to obtain an agreement that fewer patients than this is sufficient to meet the needs of both the Agency and Purdue. We are currently calculating the number of enrollees necessary to have a statistically meaningful cohort. The estimate is that between 70 and 90 patients enrolled should be sufficient, and we are tracking this carefully.

Butrans® (BTSD)

- FDA response to the amended Pediatric Studies Request is expected in June 2011; planning for study initiations in 3Q 2011 continues.

- Dosing of BE studies BUP1022 (5 mcg/hr) and BUP1023 (20 mcg/hr), for registration of the LTS manufacturing site in West Caldwell, was initiated in May.

- After receiving the Division's no agreement response to BUP3027 Special Protocol Assessment, a Type A meeting with FDA was held on June 30 to clarify requirements for registration of additional strength Butrans transdermal systems (Butrans 15, 25, 39 and 40mcg/hr). The meeting was productive. We came away with an agreement that four studies are necessary: a twelve-week efficacy study, a drug-drug interaction study (CYP3A4), a QT study, and a one-year long-term safety study. We are now working on the design of these studies and plan on maintaining our original timeframe for submission of the application.

- Manufacture of three 2nd Generation prototypes were scaled up to the pilot plant; clinical supplies of the three prototypes will be produced and included in a Mundipharma-sponsored pilot PK study that is scheduled to initiate in September 2011.

- The U.S. Trademark Office has issued a trademark registration for Butrans®, March 23.

Targin® (ONU)

- The first of three planned Phase 3 registration (pivotal) studies was initiated in May (ONU3701, analgesia only). Two additional studies (ONU3704 and ONU3705; analgesia and OIC) are planned for initiation in August and September, respectively.

- Planning is ongoing for additional clinical trials to address needs identified in recently completed Market Research (e.g. GI benefit relative to OTC laxatives).

- Two out of three clinical Abuse Liability studies have been completed. While data analysis is ongoing, preliminary review confirms substantial abuse deterrent properties for abuse of ONU via intravenous and intranasal routes in non-physically dependent volunteers. Data in physically dependent (tolerant) volunteers and data from a third study (evaluating abuse potential of intact OXN) are not yet available.

Hydrocodone QD (HYD)

- A successful End-of-Phase 2 meeting was held on 04-May-2011 with FDA. The meeting provided Purdue a clear understanding of submission and approval requirements for the planned NDA. The FDA has strongly suggested that we utilize a 505(b)(2) approach requiring one study and reference to a marketed product such as Vicodin. We are currently assessing the feasibility of this approach versus a 505(b)(1) approach with two separate twelve-week efficacy studies.

- Phase 3 studies will initiate in 3Q 2011 in support of an NDA filing and launch date of 2Q 2014 and 3Q-2015, respectively.

Peripheral Opioid Agonist (POA V113741)

- Discontinuation of development of this compound as an oral analgesic has been recommended to the Board.

- The team concluded the low likelihood of FDA lifting the "Partial Clinical Hold" status for the molecule in light of the AE profile in monkeys, the undesirable clinical pharmacokinetics, lack of evidence of analgesic efficacy and other technical challenges (e.g. development of a controlled-release formulation) argue against further development. Budgeted resources and monies can be re-

deployed on more promising discovery research, development candidates, and/or pipeline programs.

Redacted

Intermezzo (INT)

- Ongoing discussions with Transcept on draft label in preparation for negotiations with FDA.
- Purdue Labeling and NDA transfer teams have been assembled in preparation for the PDUFA date of July 14, 2011.

Redacted

PLANNING & OUTSOURCE MANAGEMENT

- Relative to the 2011 Scorecard savings target, POM realized **$1,799,251** in 2Q11 cost savings comprised of: $1,421,278 in negotiated savings under Procurement SOP-32.01, and $377.973 in savings outside of the SOP-32.01.

- Total year to date savings (including rebates) = $3.39mm

DISCOVERY

Redacted

Redacted

Redacted

HEALTH POLICY

PPLP Activities

- Communication & External Affairs Committee:
  1. Critiqued: Rep. Mary Bono Mack's bill and hearing transcript for Burt Rosen
  2. Critiqued bills regarding tamper-resistance in FL and IN for Alan Must

- Intermezzo™: Creating exam for Sales Training on Full Prescribing Information

- Butrans® (buprenorphine)Transdermal System CIII:
  1. Butrans UDT Sales Memo
  2. Created Update on Buprenorphine Drug Products for Regulators/Policymakers to assist them in clarifying that Subutex/Suboxone regulations do not affect prescribing of Butrans

Risk Management activities

- Participation in the Industry Working Group (IWG) for the FDA mandated class REMS
  1. Team Leader of Prescribers Subteam
  2. Contributed significant content to the IWG proposed REMS submission

- Participates in Risk Management's Epidemiology Advisory Board

- *A System Dynamics Model of Pharmaceutical Opioids: Medical Use, Diversion, and Nonmedical Use,* collaboration with Portland State University, published in June supplement to *Pain Medicine*

- Preparations for Phase II testing of the Low-Literacy OxyContin Medication Guide, collaboration with Ohio State University School of Medicine

- *Rank-Ordering Prescribers by Opioid Abuse and Diversion Risk* – poster presented at the 73rd Annual College on Problems of Drug Dependence Meeting

Other External Meetings

- *REMS* presentation at Pharmaceutical Alliance for Continuing Medical Education.
- The Hastings Center – met their leadership to raise issues of concern to PPLP (with Robin Abrams, and Margaret Feltz)

Healthcare Education & Liaison Programs (HELP)-Medical Liaisons

Pediatric Research Project Support

Staff assigned to recruitment support = 4 Purdue Medical Liaisons + 10 Contract Medical Liaisons

OTR Pediatric Research Program			
Sites contacted/assessed by MLs	2Q11 = 2988	**YTD = 4541**	
Resulting Executed CDAs	2Q11 = 223	**YTD = 339**	up 92% over Q1
Pre-Study Site Visits Completed	2Q11 = 77	**YTD = 94**	up 453% over Q1
Sponsor Approved sites	2Q11 = 39	**YTD = 67**	up 39% over Q1
Activated sites	2Q11 = 3	YTD = 8	

BUP Pediatric Research Program		
Sites contacted/assessed by MLs	2Q11 = 624	YTD = 625
Pre-Study Site Visits Completed	2Q11 = 2	YTD = 2
Sponsor Approved sites	2Q11 = 1	YTD = 1

- **www.Learning.Pharma.Com** site redesigned and opened to healthcare professionals on April 11th as a webinar registration and on-demand education portal: 1600 visits to site, 214 on-demand videos viewed
- 21 pain care, risk management and faculty forum educational programs delivered to 723 healthcare professionals from 231 organizations/facilities in 31 states and Puerto Rico
- Strategic education plan developed with the American Healthcare Association (AHCA) including Medical Liaison facilitation of Meet Up session at the national convention, Strategies for Providing Pain Education, and 3 Purdue education-related announcements in the Capital Connections e-newsletter that is distributed to > 40,000 members working in the Long-term Care arena
- 20 Butrans® clinical presentations or dialogues (13 health plans, 5 Medicaid, 1 national pharmacy chain, 1 health system): YTD = 34
- Coordinated a meeting with the Executive Director of the North Carolina Board of Pharmacy, Corporate Security, and General Counsel to answer questions regarding a possible anti-theft initiative

Healthcare Education & Liaison Programs (HELP) - Medical Education

Non-certified educational resource orders by healthcare professionals via catalog:

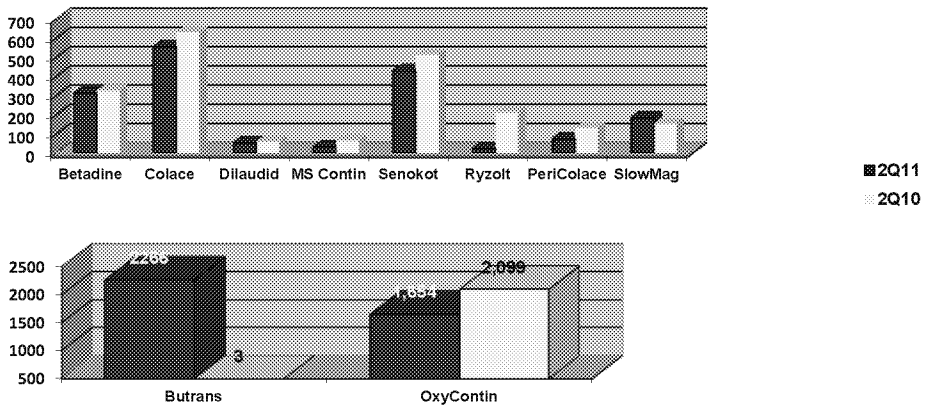
Orders	2Q11 = 843	**YTD = 1,154**

Non-certified educational resource fulfillment to healthcare professionals via catalog:

Quantity totals	2Q11 = 11,890	**YTD = 19,242**

Medical Services Inquiries

2Q11 =5,963 inquiries. This is a 30% increase from 2Q10 and a 29% decrease from 1Q11.



80% answered within one business day and 95% answered within 10 business days.

Purdue Medical Information Booths at Medical Conferences

Staffed Medical Information Booth at the following Medical Conventions

- American Pain Society (APS) Annual Meeting (Austin, TX)

Managed Care Requests

- Fulfilled 6 Butrans Dossier Requests from Managed Care Organizations and State Medicaids
- Developed and sent letters to 23 Managed Care Organizations or State Medicaids regarding safety concerns for currently implemented Butrans prior authorization criteria.

CORPORATE COMPLIANCE

Assure compliance with Purdue's Corporate Integrity Agreement (CIA) and all Federal and State laws and regulations, as well as the PhRMA Code. Conduct risk assessments and audit and monitor business operations. Respond as required to all inquiries and conduct investigations of Company operations when appropriate. Assure that all ethics and compliance training requirements are met.

Corporate Integrity Agreement

Purdue's Corporate Integrity Agreement will have one year remaining as of July 31st. All requirements under the CIA have been met in Reporting Period 4, including all critical field-based CIA requirements such as the required number of Field Contact Reports (FCRs), with well over two times the required five day minimum of ride-alongs monitored through June.

There have been no Reportable Events to report to the Office of Inspector General during this quarter.

State Law Filing Requirements

Purdue satisfied all sales and marketing reporting and fee payment requirements imposed under law by Massachusetts, Vermont, and the District of Columbia.

Speaker Programs

Speaker programs are a high risk activity, in view of the potential for off-label or other improper promotional conduct by third parties during such activities, but they are an acceptable risk with appropriate safeguards in place. Corporate Compliance has worked closely with Sales and Marketing and others to implement appropriate controls for Butrans speaker programs. During the second quarter we implemented a live monitoring process, so that independent monitors attend a significant sample of such programs nation-wide to evaluate and report to us on these programs. In addition, every program is monitored by Purdue attendees. An expert consultant on Fair Market Value compensation of speakers and other Healthcare Professionals has completed analysis of Purdue's HCPs and published FMV criteria to be applied company-wide to all such arrangements, an important point to cover in view of Government requirements for such arrangements.

"Email" Investigation

As a result of a sales representative unknowingly violating the Sales SOP provisions strictly limiting emails exchanged with HCPs, and self-reporting such to Corporate Compliance, a wider review of representative email activity was conducted to determine if wider issues existed. Our review disclosed the existence of emails exchanged with HCPs by some 50 representatives. In some cases the emails were innocuous and involved the HCP contacting the representative to make an appointment, while the most problematic (and only a limited number) involved promotion of product and claims, not permitted under Purdue's Sales SOP. A range of disciplinary actions have been taken, including written warnings and coaching, and further training of representatives is to follow. This matter will be discussed during the July 21st Board meeting.

FINANCE / INFORMATION TECHNOLOGY

Assure 2011 sales, profitability, efficiency, cash flow, compliance and pipeline objectives are supported by proactive, future-focused and meaningful financial analysis. Assure that Purdue's financial reporting and forecasting are informative and give the reader transparency into business results. Assure robust systems of financial and financial reporting internal controls are in place.

Assure that Purdue has cost effective systems that ensure and enable compliance and that give Purdue competitive advantage.

Second Quarter 2011 Financial Performance

($ mm)	YTD ACTUAL	YTD BUDGET	VARIANCE FAV/(ADV) %	LAST YTD ACTUAL	VARIANCE FAV/(ADV) %
Net Branded Revenues	1,174	1,591	(26.2)	1,169	0.4
Operating Margin before Incentives and Settlements	688	1,002	(31.3)	836	(17.7)
EBITDA	657	973	(32.5)	765	(14.1)
Net Profit before Tax	643	962	(33.2)	743	(13.5)
Owners Equity	719	650	-	651	-
Non-Tax Distributions	211	493	-	389	-
Days Sales Outstanding	35.1	35.0	On target	34.7	n/a
Accounts Receivable Outstanding >90 Days Past Due	<1%	<1%	on target	-	n/a
Capital Spending – YTD	9	18	timing	14	timing
Cash on Hand (Unrestricted)	603	335	n/a	445	-
Third Party Debt Payable	-	-	-	-	-
Third Party Debt Payable/EBITDA	-	-	-	-	-
Unused Third Party Credit Facilities	-	-	-	-	-
Available Liquidity	603	335	n/a	445	31.2
Available Liquidity – Average Monthly Sales	2.2	1.2	n/a	2.1	-
Headcount	1,630	1,690	-	1,420	-

Notes:

1. Net Branded Revenue, Operating Margin, EBITDA and Net Profit Before Tax are below budget primarily due to lower than budget demand for OxyContin – primarily in the 40 and 80 mg tablets.
2. Net Branded Revenue is on target with the mid-year update presented in June.
3. $200 mm non-tax distribution was made in July. Equity, cash, etc. are close to YTD budget levels after that distribution.

Full Year – 2011

The mid-year update presented in June recognized that OxyContin net sales would likely be $1,125 mm less than budget. A summary of that mid-year update is as follows:

($mm)	2011 Mid- Year Update	2011 Budget	Variance FAV/ADV	Variance FAV/ADV %
Gross Branded Product Sales	3,053.2	4,177.2	(1,124.0)	(26.9%)
Net Branded Sales	2,391.3	3,231.4	(840.1)	(26.0%)
Operating Margin (before Incentive, Settlements & Other Items)	1,285.9	2,069.8	(783.9)	(37.9%)
Operating Margin % Net Branded Sales	53.8%	64.1%	(10.3%)	-
Pre-Tax Profit (Loss)	1,190.8	1,992.1	(801.3)	(40.2%)
EBITDA	1,220.1	2,018.5	(798.4)	(39.6%)
Tax Distributions	(508.5)	(910.1)	(401.6)	(44.1)
Non-Tax Distributions	(599.3)	(1,069.7)	(470.4)	(44.0)
Total Equity (all Companies in Pharmaceutical Group reported to Management Revisions)	660.0	621.5	38.5	6.2%
Total Equity (US Operating Companies – Bank Reporting Group)	600.0	596.5	3.5	0.6%
Unrestricted Cash	375.1	300.0	75.1	25.0%

Finance Department

- Ten Year Plan was completed and published to the Board and the Executive team in June.

- Executive Audit Committee met on June 1 and reports as follows:

1. Tray Buggs and Neal Davis (Wilson Finance) reported on the results inventory cycle counts at all Purdue locations – in house and third party. A total of 665 test counts were performed and no unexplained differences were found. The differences noted were due to very slight changes in weight of drums due to moisture gain or loss.
2. E&Y's John Calcutt and Devon Brady presented a detailed summary of their audit procedures and outcomes. The results were very good. No adjustments were proposed. E&Y made several internal control recommendations, primarily related to decreasing and better managing access to certain SAP applications. E&Y presented their findings, in detail, at the mid-year Board meeting.
3. Sam Shum updated the group on the recently completed Enterprise Risk Management survey. The goal was to identify risks, then manage and/or insure those risks.
4. The Committee agreed to participate in a ½ day seminar on the role of the Audit Committee and invite colleagues who participate in other Associated Company Audit Committees to join.
5. IAF's 2011 Audit Plan was agreed to and includes reviews of:
    a. Promotional Sales Training Material Review and Approval Process
    b. Med. Ed. Grants
    c. Self insured medical plans
    d. CRO's

Treasury

Purdue's cash holding is invested in US Government Securities primarily in Purdue's name. These securities earn approximately 0.03% per annum. We continually monitor high credit, commercial paper to determine if the excess returns are worth the fractional increased risk. We also continue to monitor the risk that the U.S. might default on its obligations if the debt ceiling is not raised. In spite of this risk, we still view U.S. Government Securities as a very low, short term investment.

See attached for Purdue's investment portfolio.

June 2011
Short-Term Investme

Trade Inventory – OxyContin

Sales reported in Purdue's financial statements include only shipments made from Purdue and received by customers by the end of each accounting period. Over time these "factory" sales will be equal to prescriptions written and filled. In the short term, however, factory sales could be higher or lower due to changes in inventory levels. In the late 1990's, wholesalers and chains would routinely double their OxyContin inventory if they anticipated an opportunity to buy before a price increase. These buying patterns tended to mask demand. At this point, buying patterns are relatively flat.

Summary of OxyContin inventory at the trade:

$ mm	12/31/2009	12/31/2010	6/30/2011
Wholesaler	254.4	197.5	199.2
Pharmacy	427.2	438.1	421.5
Hospital/Other	4.1	3.3	4.1
Total	**685.7**	**637.1**	**624.8**

Pension Investment Committee

- Defined Benefit Pension Plans

A) Purdue Pharma employee benefits include a defined benefit pension plan. This plan provides employees with a pension benefit determined by pay and years of service. Purdue contributes to a Trust Fund and that fund ultimately pays the employees' pension benefit. Purdue Pharma is ultimately liable to pay the employees' benefits and until those benefits are completely paid out, the liability is uncertain and can change due to employee/retiree life expectancy, turnover, pay raises, return on assets, and interest rate used to calculate lump sum payouts.

At 12/31/10, the plans' Accumulated Benefit Obligation was $185 million and the plan assets were $193 million including $20.5 million in investment return in 2010 - over 100% funded. Purdue plans to make annual contributions to the plan in the $15 mm range, and as a result this over-100% funding level is projected to continue in 2011 and beyond.

PF Labs has a smaller defined benefit plan - $7 mm in assets – covering ex-employees and that plan is equally well funded.

B) The Purdue defined benefit pension plan has a balance of $203 mm at 6/30/11. This plan has returned 18.3% for the 12 months ended 6/30/11 and 1.3% for the quarter ended 6/30/11. These

returns are 204 basis points better and 3 basis points worse than benchmark respectively. The fund is invested in passive equity indexed funds, actively managed fixed income funds – which has outperformed passive fixed income – and 10% in hedge funds which have met their goal of reducing the funds overall volatility.

- Defined Contribution Pension Plans

A) Purdue Pharma and PF Labs also offer employees a 401(k) defined contribution savings plan. The companies' contribution to these plans is expected to be $5.5 mm in 2011. The 401(k) funds' assets total $256 million at the end of 2010. Purdue employees choose how these funds are invested from a diversified list of mutual funds that are offered through Fidelity Investments. In this plan, Purdue is not responsible for investment return, etc.

B) The plan, offers employees a broad range of active and passive investment options. The funds offered are generally very good performers in their class. Marginal and poor performers are frozen to new investment and/or removed. For example, Alliance Bernstein International Value Fund, which had been frozen for two years, was removed in May due to subpar performance.

Real Estate

- Purdue closed two subleases of One Stamford Forum excess space on a portion of the third floor – one lease to Brookside Investment and the second lease to Kokino. These leases will save Purdue $0.6 mm per year. The sub lessees are affiliated with Jon Sackler. The leases were closed on terms approved by the Board.

Efficiency

- The 2011 stretch efficiency goal is $45 mm. The goal has been allocated to each of John Stewart's direct reports. Through 6/30/11, $16 mm in savings has been reported. The actual savings included in the Purdue scorecard may be different as the reported savings are screened by Executive Committee members before final submission to the Board.

- The Q1 savings include:

1. Negotiated saving on Kendle's Adverse Event/Product Complaint per case fee vs. the 2010 fee – savings $1.2 mm.
2. Document production for patent litigation was previously done by outside lawyers. In 2011, the patent group is using in-house contract attorneys to do a significant portion of the low ABUK patent litigation document production – savings ~ $1.0 mm.
3. Eliminate the need to purchase 11 dust suppression systems based on further work by Wilson engineering and, as a result, outside experts revising their recommendation – savings $0.6 mm.
4. Sublease One Stamford Forum excess space – a portion of the third floor – savings $0.6 mm.

Enterprise Risk Management

- Purdue Finance, Compliance, and the Executive Team recently completed an Enterprise Risk Management review process.

- The review identified eight sets of risk categories including product portfolio risk, supply chain risk, execution risk, human resources risk, external party risk, reputation risk, compliance risk, and financial risk.

- Purdue's senior management team further identified specific risks under each one of the categories listed above. The senior executives confirmed their responsibility for each specific risk and will add management and mitigation of these risks to their 2012 objectives. Attached is a list of the risks identified.


Enterprise Risks Listing 20110517.pdf

Information Technology

- The Chase Paysource project further streamlines processes in the procure-to-pay process, specifically through making payments to vendors electronically. Advantages include significant time savings (estimated at 125 FTE hours per month), and improvements to Purdue's internal controls. This went live, as scheduled, on April 11th. As of July 6th we have successfully completed wire payments in excess of $29MM.

- The Intellectual Property processes were evaluated to identify efficiency gains and opportunities to reduced risk. In June, the Board approved the purchase and implementation of the Anaqua Enterprise Solution, which is estimated to begin in 3Q 2011. Once implemented, Purdue U.S. efficiency gains due to automating and eliminating steps will avoid 189 hours of a person's time saved per month.

- A feed to the Thomson Pharma collection of 40 pharmaceutical data sources was added to the Vertical*I product assessment and lead tracking system, allowing Licensing & Business Development to automatically upload and share scientific and financial analyses and abstracts across the department.

- As part of the HealthCare Reform Act passed last year, there is a new requirement from Centers for Medicare & Medicaid Services (CMS), to pay rebates in the Medicare Coverage Gap. IT's Commercial Systems group and Finance built a system to calculate and process these Medicare rebates.

- IT and R&D completed a prototype of the REMS website for inclusion in the FDA submission of the Classwide REMS.

- IT and R&D completed the loading of over 4000 OxyContin Reformulated Product Complaints into Purdue's Product Complaint system of record (PQCMS). This meets the FDA requirement that Purdue have a single system for tracking product complaints.

- IT and R&D completed the shutdown of older regulatory document management system, moving all documents and submissions into a single new system - GRASP2/G2.

LICENSING AND BUSINESS DEVELOPMENT

Licensing and Business Development work will support the diversification of the product portfolio in the analgesic, CNS, GI and other relevant categories.

Execute against the following objectives:

1. Comprehensive Analgesic Plan
   - Seek Board approval for 2 term sheets
   - Seek Board approval to enter into 1 contract negotiation
2. Related Core Therapeutic Area – insomnia, GI, CNS
   - Seek Board approval for 1 term sheet
   - Seek Board approval to enter into 1 contract negotiation
3. Final Product Transaction Agreement
   - Complete 1 Rx product transaction

High Priority Projects Under Review in Q2 2011

BioDelivery Sciences (BDSI)

- **BEMA® Buprenorphine** is a trans-oral "bio-erodible muco-adhesive," a dissolvable BID oral buprenorphine film for application to the inner lining of the cheek for chronic pain (exactly the same indication as Butrans). The pivotal phase III program is now fully-enrolled, and NDA filing should be Q2 '12 with approval estimated to be Q2 '13 (without FDA delays). This same BEMA technology was used for the recently approved ONSOLIS® (BEMA fentanyl) being marketed by Meda Pharmaceuticals.

- We plan to have a fully-negotiated term sheet completed by the end of July, with contract drafting to begin immediately following the finalization of the term sheet. Due diligence is ongoing. Target for completing the contract negotiations is late summer.

Theravance Pharmaceuticals – late stage OIC product

- **TD-1211** is a peripherally-restricted opioid antagonist for OIC. TD-1211 has just completed a POC phase 1b/2 study, and the data look to be compelling. We have submitted a term sheet to Theravance for worldwide rights to TD-1211 and the back-up compound. These negotiations are in the advanced stage as of the end of Q2, and we will have a final term sheet by the end of August.

Intellectual Property Transactions

- Redacted

R&D Innovation Projects (LBD partnered with R&D)

- **Trevena, Inc. -** With technology from Duke University, this private VC-backed company is developing G-protein coupled receptors using "biased ligands" which activate only beneficial vs. adverse biological pathways. The scope of this alliance could include mu, kappa and/or delta opioids. Discussions are in the early stages.

- **PharmacoFore, Inc. -** This private VC-backed company has a proprietary molecular technology for the creation of novel prodrugs. This technology can improve PK as well as ADME – resulting in significant advances over current tamper/abuse resistant opioid approaches. Discussions are in the early stages.

EXTERNAL AFFAIRS

Build support for appropriate pain care through policy development and implementation. Take appropriate action on external threats to optimal pain care. Promote Purdue's reputation in academic, community and scientific venues. Address proposed legislation and regulation that may affect the Company and its products. Develop and support innovative programs that safeguard public health and address abuse and diversion of prescription medication.

Build support for appropriate pain care through policy development and implementation

- The Institute of Medicine has issued its Report on Relieving Pain in America: A Blueprint for Transforming Prevention, Care, Education, and Research. There were several hundred media stories on the findings and the under treatment of pain. The IOM report was the result of the Pain Care Forum activity and the Pain Care Forum is further developing a plan to promote the IOM report to Congress and the media.

Take appropriate action on external threats to optimal pain care

- Conducted conducting media relations to correct egregious errors of fact concerning OxyContin and pain management. Attempt to make clear in the media that OxyContin and oxycodone are not synonymous.

Promote Purdue's reputation in academic, community and scientific venues

- Launched a new webpage on the purduepharma.com website to recruit potential clinical investigators and patient referrals for clinical trials. Since launch, the webpage has averaged 4 new potential investigators a week (both pediatric and adult).

- A multi-departmental project to optimize and manage the company's relationships with key opinion leaders in the field of pain management and healthcare policy is progressing. A central KOL contact database launched first quarter 2011 and department roll-outs continue throughout the second quarter.

Address proposed legislation and regulation that may affect the Company and its products.

- Congresswoman Bono Mack reintroduced a bill HR 1316 To direct the Commissioner of Food and Drugs. She has also introduced legislation to mandate prescriber training on safe opioid prescribing as a condition of DEA registration. This effort is consistent with the position we have taken with respect to the class wide REMS for long acting opioids.

- Passed legislation that would continue the Colorado prescription monitoring program which is scheduled to sunset this year. Provided $60,000 to ensure continuation of the program.

- Bills still exist in Pennsylvania and Massachusetts that would make OxyContin illegal to prescribe as indicated in these states.

- Pain Clinic regulations legislation has been passed in Florida, Ohio and Tennessee

Develop and support innovative programs that safeguard public health and address abuse and diversion of prescription medication.

- Continue to expand awareness of the national program SafeGuardMeds.org to educate the public about proper storage and disposal of prescription medications. This included a continued partnership with the US Conference of Mayors who filmed video PSAs of over 60 mayors at their annual meeting in June. These videos will be disseminated in September and October along with local campaigns to raise awareness of prescription drug abuse and the need to properly store and dispose of prescription medications.

LATIN AMERICA

Achieve or exceed 2011 To the Market Sales and In the Market Sales objectives. The 2011 To the Market Sales Forecast is $7.7 M and In the Market Sales Forecast is $16.3 M. To the Market Sales represent billings by MLG and In the Market Sales represent billings by our Licensees.

Sales Objectives

TO THE MARKET SALES (Mundipharma sales to Tecnofarma)

	Actual YTD 6/30/11	*Forecast YTD 6/30/11*	*% Achieved*	*Actual YTD 6/30/10*	*% change*
Y-T-D Total	*$6,318,265*	*$6,180,570*	*102%*	*$5,040,796*	*25%*

IN THE MARKET SALES (Tecnofarma sales to the trade)

	Actual YTD 6/30/11	*Forecast YTD 6/30/11*	*% Achieved*	*Actual YTD 6/30/10*	*% change*
Y-T-D Total	*$8,614,000*	*$8,301,826*	*104%*	*$6,211,357*	*39%*

- Sales growth of OXYCONTIN obtained in the major countries.
- Generic OXYCONTIN competition in Colombia and Peru is escalating.
- Good sales performance in Argentina (+45%), Brazil (+52%) and Venezuela (+57%) compared to same period 2010.

Operating Budget

The Miami Office will operate within the total 2011 S&P Adjusted Budget of $1,771,942.

	Actual YTD 6/30/11	*Budget YTD 6/30/11*	*%*
Y-T-D Total	*$925,386*	*$886,834*	*104%*

June YTD 2011 actual S&P operating expenses for the Miami Office are 4% over budget mainly driven by higher than anticipated salary costs not included as part of the original comp model and to additional travel requirements for the first half of the year. These variances will be trued up as part of the upcoming latest estimate.

Sales by Product

Sales of OXYCONTIN represent 51% of our total volume.

To the Market Sales	*Actual YTD 6/30/11*	*Actual YTD 6/30/10*	*% change*
OXYCONTIN family (OxyContin, OxyIR, etc.)	*$3,280,511*	*$3,228,084*	*2%*
Laxative family (Laxoya, Senna products)	*$2,212,351*	*$1,056,276*	*109%*
MST family (MS Contin, MSIR, MST Continus, etc.)	*$245,949*	*$429,128*	*-43%*
All Others (Restiva, Tramacontin, REDACTED	*$579,455*	*$327,309*	*77%*

Restiva = Butrans/Norspan

Regulatory Issues

- TRAMACONTIN licensing for expansion in five countries continues to be under negotiation with Tecnofarma.

- Continue working with the NORSPAN registration in Venezuela and Mexico for Grunenthal as per MLG agreement.

- Brazilian Health Authorities, ANVISA, will inspect the LTS manufacturing facilities in September. Exact dates in process of being confirmed.

- Brazilian Health Authorities, ANVISA, completed a successful inspection of the Wilson, NC manufacturing facility.

Developments

- The Tecnofarma Term Sheet reconciliation was completed pending final outcome on ONF negotiations.

- TRAMACONTIN launching symposia in Colombia took place June 22-26 attended by 450 Tramadol prescribers.

- RESTIVA (BUTRANS) Task Force meeting for Argentina and Brazil was held in April as part of the Productivity Meeting. Pre-launch Symposia in Brazil took place June 15-17 at the CINDOR Convention with 250 attendees. Launching scheduled for November 2011.

- In April, we visited third party logistics companies (3PL) in Mexico; DHL, Health Logistics and Kuehne Nagel to research possible future contributions. Full inspection of the facilities by our Business Development Director and our Logistics Manager with the support of Corporate Security is scheduled for early July. We also visited other 3PL's in Colombia and Brazil during trips made at the end of June as part of the new business plan.

- Work continued on the new business development plan to be presented to the Board in the 4th Quarter 2011.

- In April, we made a presentation at El Salvador's Social Security Institute (ISSS) for the inclusion of OXYCONTIN to its formulary. Awaiting a response.

- A presentation of marketing opportunities to Representatives of Dong-A from South Korea took place in Stamford for the licensing of an erectile dysfunction (ED) product that could be available for licensing in Mexico.

- Visited Peru in May to perform a market analysis and to establish strategies to defend OXYCONTIN from a recently introduced generic.

- During the month of June, we met with the new Business Development Director for Grunenthal Latin America to discuss future opportunities.

- A meeting was held in Mexico with Dinafarma/Laboratorios Sanfer to discuss the future transfer of the registration of our analgesics to our recently established legal entity, Mundipharma de Mexico as well as new strategies for LAXOYA (SENOKOT-S).

- We attended the International Business Development Meeting in Washington, D.C. at the end of June.

HUMAN RESOURCES

Design, communicate and implement rewards programs that drive alignment and achievement of corporate and individual performance objectives. Staff positions with highly capable talent and assure employee engagement and retention. Develop employees through relevant and meaningful programs and assignments while providing for future succession requirements. Assure program and management compliance with all regulatory and legal requirements.

Staffing

- Joseph Northington has been named Head of Quality Operations, located in Wilson, NC, reporting to David Lundie effective July 6.
- 10 requisitioned positions have been filled in June bringing the YTD hires to 140.
- Quintiles (Contract Sales Organization), presuming Intermezzo approval, has agreed to conduct post employment testing to evaluate responses from their Sales Representatives against Purdue Field Sales Representative standards, to assess and manage performance and assist in the decision process of converting contract reps to full time Purdue employees.

Compensation & Benefits

- The Compensation Department provided on-going support to the newly created Performance Management and Recognition Committee for review of compensation programs and enhancing the linkage between performance and compensation programs. Program updates presented for Committee review include:
    1. New definitions for performance ratings utilizing a half-point system rather than the current decimal system
    2. A rating calibration process to enhance rating consistency across functional areas
    3. A defined merit increase matrix based upon performance rating and market position
    4. Basing annual bonus targets on a range rather than on a defined amount
- The Pension Plan Investment Committee and the Plan Trustee conducted a review of 2010 and 1Q2011 investment performance and Plan funding. The committee approved a slight modification to the investment allocation and requested a review of the funding plans for P.F. Laboratories Plan, along with a reallocation of investments to a lower risk investment position, recognizing the full funding status of that Plan.

2011 Purdue Committee Effectiveness Survey

- The 2011 Committee Effectiveness Survey was completed for 23 Purdue committees. A 74% participation rate was achieved.
    1. Results from the 2011 survey were very favorable, and generally more positive than results from the 2010 survey. Results from committees that participated in both years indicated that members believe their committee's effectiveness has improved.

2. Quantitative results and participant comments point to improvement opportunities for some of the committees, especially those committees that do not report directly into the Executive Committee and are not lead by an EC member.

2011 New Hire Survey – Sales Force

- HR began analysis of the 2011 New Hire Survey – Sales Force. Reports, including identification of opportunities for improvement, are being prepared for the 'All US' summary as well as each of the nine regions. Results will be presented to Sales Management in June.
  - 140 representatives hired between September 1, 2010 and January 21, 2011 as part of the 2010 sales force expansion participated in the survey. This is a 96% response rate.

2011 Purdue Performance Culture Survey

- HR revised and conducted the 2011 Culture Survey for all 1620 Purdue colleagues. This survey contained 91 agreement-scale questions; 86 were from the 2010 survey and 5 were new. The survey will close in early June and analysis of results will begin immediately. 'All Purdue' and location-based results will be available by the end of June; Department results will be available by the end of July.

Training & Development

- HR initiated Executive Coaching programs for two additional leaders and continued providing Executive Coaching for six other leaders. One-on-one coaching sessions were provided for five supervisors and managers on resolving performance problems, disagreements and leadership skills.

- Tech Ops Human Resources and Legal continue to partner on a Management Training initiative, developing two modules: Managing Employee Absences/Sensitive Medical Information and Managing Performance Issues/Discipline.

- Human Resources facilitated supervisor development training in Wilson and Rhodes. In addition, a Leading for Success workshop, one-on-one coaching and a team building workshop was conducted for the Wilson IT organization in June.

Facilities

- Programming and planning for the 5th floor 43,563 SF renovation has been completed. Construction, progressing on schedule and within approved budget, will be completed by mid-August. The 3rd floor has been demised for a partial floor subtenant expected to occupy the space by yearend. Planning for the 9th and 10th floor refurbishment and temporary relocation has been completed and the construction bidding process is being finalized. Construction will start on the 10th floor during the third week in August and on the 9th floor during the first week in October. All capital projects, including the OSF roof replacement project expected to be completed in late September, are progressing on schedule and within budget.

- As part of the overall Corporate Responsibility Program, we continue to manage local community giving initiatives. Year-to-date, $550,925 in community grants has been awarded in the areas of economic development, education, the arts, the environment and community healthcare. During

Q2, we completed a major volunteer initiative, furnishing the American Cancer Society's new 10,000 SF building with surplus Purdue and UBS furniture.

Environment, Facility, and Regulatory Compliance

- The Wilson facility received the Gold Award for Outstanding Compliance from the City of Wilson Pretreatment Facility in recognition of having no permit violations during 2010.

- EHS has been working with Occupational Toxicology to preview comprehensive programs to be used for the authoring of Material Safety Data Sheets. Three programs were extensively reviewed, with a decision made in favor of the Werks program. A meeting will be held with Napp in the U.S. in late fall that will include user training.

- The Stamford Ergonomics program has now become well established. All new employees now receive an individual office ergonomics evaluation shortly after their start date. In addition, department training is continuing and training has been provided to Summer Interns, Marketing and Sales.

Human Resources Budget

- Human Resources continues to operate under budget, due to lower than anticipated consultant expenses by completing projects in-house.

Other

- Human Resources partnered with Public Affairs to coordinate a cash donation of $25,000 to the NC Disaster Relief Fund, in response to the tornado destruction in Wilson and throughout North Carolina. In addition, Human Resources facilitated a matching gifts program for employee donations to the Eastern NC chapter of the American Red Cross and the NC Disaster Relief Fund.

Full-Time Turnover Report YTD 6/30/2011

	Begin Count	End Count	Ave # EE's	Termina-tions	% Term EE's	Retired	Resigna-tions	% Resigned	Total T/O	YTD T/O Rate
S&P										
Sales	589	640	615	9	1.5%	0	6	1.0%	15	2.5%
Marketing	45	47	46	0	0.0%	0	1	2.2%	1	2.2%
Sales Support	20	28	24	0	0.0%	0	2	10.0%	2	10.0%
Field Ops, Support & Admin	18	16	17	0	0.0%	0	3	16.7%	3	16.7%
Total S&P	**672**	**731**	**702**	**9**	**1.3%**	**0**	**12**	**1.8%**	**21**	**3.1%**
% of X-FTE's				*42.9%*		*0.0%*	*57.1%*			
G&A										
Administrative Services	33	34	34	0	0.0%	0	0	0.0%	0	0.0%
Business Development	6	6	6	0	0.0%	0	1	16.7%	1	16.7%
Corporate Compliance	9	10	10	0	0.0%	0	0	0.0%	0	0.0%
EHS	5	5	5	0	0.0%	0	0	0.0%	0	0.0%
Executive	14	14	14	0	0.0%	0	0	0.0%	0	0.0%
External Affairs	16	18	17	0	0.0%	0	0	0.0%	0	0.0%
Finance	61	61	61	0	0.0%	0	0	0.0%	0	0.0%
General Counsel	53	50	52	0	0.0%	0	0	0.0%	0	0.0%
Human Resources	22	23	23	0	0.0%	0	0	0.0%	0	0.0%
IT	86	88	87	1	1.2%	0	1	1.2%	2	2.3%
Procurement	16	15	16	0	0.0%	0	0	0.0%	0	0.0%
QA	18	20	19	0	0.0%	0	0	0.0%	0	0.0%
Security	15	15	15	0	0.0%	0	0	0.0%	0	0.0%
Total G&A	**354**	**359**	**357**	**1**	**0.3%**	**0**	**2**	**0.6%**	**3**	**0.8%**
% of X-FTE's				*33.3%*		*0.0%*	*66.7%*			
IRD/US										
Discovery	52	53	53	0	0.0%	0	0	0.0%	0	0.0%
Drug Safety & Pharma	35	37	36	0	0.0%	0	2	5.7%	2	5.7%
Health Policy	46	48	47	0	0.0%	0	0	0.0%	0	0.0%
Medical Research	56	63	60	0	0.0%	0	2	3.6%	2	3.6%
Nonclinical & R&D	41	49	45	0	0.0%	0	0	0.0%	0	0.0%
Project Management	21	22	22	0	0.0%	0	1	4.8%	1	4.8%
Regulatory Affairs	20	22	21	0	0.0%	0	0	0.0%	0	0.0%
Total IRD/US	**271**	**294**	**283**	**0**	**0.0%**	**0**	**5**	**1.8%**	**5**	**1.8%**
% of X-FTE's				*0.0%*		*0.0%*	*100.0%*			
MFG/OPERATIONS										
PF Labs Salaried	17	17	17	0	0.0%	0	0	0.0%	0	0.0%
PPMD	56	57	57	0	0.0%	0	0	0.0%	0	0.0%
Wilson NC	187	189	188	3	1.6%	0	3	1.6%	6	3.2%
Total MFG/OPERATIONS	**260**	**263**	**262**	**3**	**1.2%**	**0**	**3**	**1.2%**	**6**	**2.3%**
% of X-FTE's				*50.0%*		*0.0%*	*50.0%*			
Rhodes Technologies	144	146	145	1	0.7%	0	4	2.8%	5	3.5%
Rhodes Pharma	20	24	22	0	0.0%	0	1	5.0%	1	5.0%
Total MFG/OPERATIONS	**164**	**170**	**167**	**1**	**0.6%**	**0**	**5**	**3.0%**	**6**	**3.7%**
				16.7%		*0.0%*	*83.0%*			
Total Miami	**4**	**4**	**4**	**0**	**0.0%**	**0**	**0**	**0.0%**	**0**	**0.0%**
% of X-FTE's				*0.0%*		*0.0%*	*0.0%*			
Grand Total	**1,725**	**1,821**	**1,773**	**14**	**0.8%**	**0**	**27**	**1.6%**	**41**	**2.4%**
% of X-FTE's				*34.1%*		*0.0%*	*65.9%*			